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In the Supreme Court of the United States

OCTOBER TERM 1942.

No. 370.

THE DILL MANUFACTURING COMPANY,
Petitioner,

vs.

WILLIAM F. GOFF, and THE OHIO INJECTOR COMPANY,
Respondents.

BRIEF FOR RESPONDENTS In Opposition to the Petition for Certiorari.

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BRIEF FOR RESPONDENTS

In Opposition to the Petition for Certiorari.

(A) STATEMENT OF THE CASE.

This is an ordinary case for specific performance of an oral contract, the existence of which is denied, brought by a citizen of one State against citizens of the same State. The fact that the subject matter of the alleged contract is the ownership of a patent does not create a case "arising under the patent, the copyright, and trade-mark laws" by which the Federal Courts are given original jurisdiction.* At the hearing it was stated by counsel for respondents and agreed to by counsel for petitioner (R. pp. 31, 32) that no question of infringement was involved. The blanket denial in the answer quoted on page 4 of petitioner's brief was bottomed upon respondents' rightful ownership of the patent in controversy and not on the question of the application of the claims of the patent to the structure which respondents were manufacturing under the patent. As the Court of Appeals of the Sixth Circuit said at page 50 of the Record:

* U. S. Code, Title 28, Section 41(7).

“No issue of infringement is raised by the pleadings. It is true that the defendants deny all allegations not admitted or qualified, but the defendants allege ownership of the patent and deny plaintiff’s title. Certainly, one cannot infringe his own patent any more than he may challenge its validity, and denial of infringement, coupled with assertion of title, is not tantamount to a denial of infringement if adverse title is established.”

It is well established by the numerous cases in this Court and in the various Circuit Courts of Appeals, to which reference will be made, that where the gravamen of the action is to enforce rights in patents claimed to be created by disputed contractual relations of the parties, and in the absence of diversity of citizenship, the case is not within the jurisdiction of the Federal Courts but is one for the State courts.

It is said by the petitioner (p. 5) that the gravamen of this action “sounds in patent infringement.” The petitioner has included in the bill of complaint prayers for injunction and accounting, but these prayers are wholly meaningless unless the contract is first established. Hence, the *gravamen* of the action is the specific performance of the contract. Petitioner cannot convert a simple case for specific performance into a patent infringement suit merely by the addition to the Bill of Complaint of prayers for injunction and accounting.

The case books are full of abortive attempts to invoke the jurisdiction of Federal Courts on controversies between citizens of the same State relating to contracts to assign patents or patent rights. In a few exceptional cases where the *existence* of the contract is not disputed and, therefore, the only questions to be disposed of are such *patent* questions as the scope of the patent and infringement, the Federal Courts have looked to the substance of the controversy and properly assumed jurisdiction.

(B) REASONS FOR DENIAL OF THE PETITION.

Respondents respectfully point out:

1. There is no diversity of decision between Courts of Appeals below (*Keller v. Adams*, 264 U. S. 314-319; *Layne v. Western Well Works*, 261 U. S. 387-93).

(2) There is no diversity of opinion in the tribunals which have passed upon this case. The District Court at final hearing and the Circuit Court of Appeals both at the hearing and upon rehearing concurred in the dismissal for lack of jurisdiction (*Thompson Co. v. Ford*, 265 U. S. 445-447).

(3) No question of public interest is involved, which has sometimes been held a sufficient ground for granting the writ (*Schriber-Schroth Co. v. Cleveland Trust Co.*, 305 U. S. 47; *Exhibit Supply Co. v. Ace Patents Corp.*, 62 S. Ct. 513). Petitioner urges this as one of the grounds for the granting of the writ, but it is apparent that the controversy is between the petitioner-employer and respondent-employee. The public has no conceivable interest in the only point in controversy, i.e., whether Goff did or did not agree to assign the invention which is covered by the patent in suit and whether the patent belongs to the petitioner or to the respondents.

(4) There has been no misunderstanding or misapplication of the decision of this Court in the case of *Littlefield v. Perry*, 88 U. S. 205. There is likewise no "conflict with the spirit and philosophy" of the decision of this Court in *Independent Wireless Telegraph Co. v. Radio Corporation*, 269 U. S. 459.

(5) The decision of the Court of Appeals of the Sixth Circuit is not only not in conflict with the case of *Littlefield v. Perry*, *supra*, but is in harmony with a proper interpretation of that case. Moreover, a careful consideration of *Littlefield v. Perry* shows no conflict between that case and all the other decisions of this Court which have

dealt with the question of jurisdiction of contractual relations on patent matters between citizens of the same State. These decisions have both preceded and succeeded *Littlefield v. Perry*. We refer to such cases as:

- Wilson v. Sanford, et al.*, 10 How. 99;
- Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*,
185 U. S. 282;
- New Marshall Engine Co. v. Marshall Engine Co.*,
223 U. S. 473;
- Luckett v. Delpark, Inc.*, 270 U. S. 496;
- Becher v. Contoure Laboratories, Inc., et al.*, 279
U. S. 388.

(6) Petitioner alleges that the following cases are in conflict in principle with the instant case:

- Woodster et al. v. Crane*, 147 F. 515 (8th Circuit);
- Bisel v. Ladner*, 1 F. (2d) 436 (3rd Circuit);
- Ted Browne Music Co. v. Fowler*, 290 F. 751 (2nd
Circuit);
- Cohan v. Richmond et al.*, 86 F. (2d) 681 (2nd Cir-
cuit).

These decisions are *not* in conflict with the overwhelming authority which holds that the jurisdiction of the Federal Courts does not extend to the determination of rights under contracts, even though patent rights may be determined thereby.

(7) The petitioner notes that the Seventh Circuit in *Lyon Manufacturing Corp. v. Chicago Flexible Shaft Co.*, 106 F. (2d) 930, decided the same question when it was placed before them in the same way as did the Sixth Circuit in the instant case. The fact that in an earlier case *Magnetic Mfg. Co. v. Dings Magnetic Separator Co.*, 16 F. (2d) 739, the Court apparently overlooked the question of jurisdiction does not weaken, but rather strengthens, the effect of the later decision where the question was squarely presented and decided.

Other cases in the various Circuit Courts of Appeals are in conformity with the rule stated in this case and by the Seventh Circuit in *Lyon Mfg. Corp. v. Chicago Flexible Shaft Co.*, *supra*.

(8) The only case cited by the petitioner in which this question of jurisdiction was decided in accordance with petitioner's contentions is the case of *Vanadium-Alloys Steel Co. v. McKenna*, 27 F. Supp. 535, in the District Court for the Western District of Pennsylvania. This case was not appealed (Petitioner's Brief, p. 20). We do not believe that the solitary opinion contra of one District Judge requires the exercise of the extraordinary powers of this Court.

(9) The Bill of Complaint fails to state a cause of action upon which relief can be granted by the Federal Courts because the Bill shows on its face that petitioner has no title to the patent, but only a claimed right to ownership based upon an alleged agreement, the existence of which is denied. Until the existence of that contract is determined and petitioner's ownership of the patent is decreed in a suit for specific performance, the petitioner has no right to maintain this action in the District Court.

(C) ARGUMENT.

Points 1 & 2:

There is no dispute concerning Point 1 (*supra*) which is the usual ground for the allowance of petitions for certiorari in patent cases. Nor is there any dispute on Point 2. When respondents filed their motion to dismiss at the outset of the case (R. p. 6), the District Court overruled the motion (R. p. 26), but when the matter was squarely placed before it, the Court had no hesitation in correcting its former ruling, saying (R. pp. 35-36):

"I recall at the time the motion was filed I had some doubts about the motion and I thought it unwise to dispose of the case on the petition alone without per-

haps some further consideration and fuller understanding of the precise issues involved in the controversy. I have reached a conclusion, satisfactory at least to myself, on the question, and I think the question of the equitable title to this patent under the situation in this case does not arise under the patent laws, nor is any construction of the patent laws involved under the issues and the admissions made this morning."

Point 3:

There is no grave or weighty question concerning the relationship of employers and employees involved in inventive or development work. The employer is entitled to the inventive work of his employee if he hires him for that purpose or has a valid, expressed or implied contract requiring the assignment. The employer is not deprived of his remedy against an unfaithful employee because the Federal Courts have no jurisdiction of contract matters even though they relate to patents. If, in truth, Goff had a valid contract with his employer to assign this invention, the forum in which that issue is determinable is the Courts of Ohio. Petitioner recognized that fact by bringing two separate suits in the Courts of Summit County, Ohio, where Goff resides (R. pp. 8-25), both of which were voluntarily dismissed. Indeed, the trial of the first suit in the State Court had actually proceeded for three days before dismissal (R. p. 25). The claim is made that at the time those suits were filed, the petitioner did not know that the respondents were making use of the invention in suit. Even though this fact were shown by the Record (*which it is not*), the outcome of the situation would have been the same, for the allegations of infringement and prayers for injunction and accounting do not clothe the Federal Courts with jurisdiction.

We may say at this point, as summarized by the Court of Appeals (R. p. 49), that the respondents

“categorically deny that he” (Goff) “agreed that inventions made by him while employed by Dill, should belong to Dill and be assigned to it. They assert that Goff was first employed by Dill in 1929 as a serviceman, but that thereafter Goff was engaged in a sales capacity outside the plant of the appellant, and so continued until May, 1935, when his employment was terminated; that in June, 1935, he was reemployed, assigned to saleswork, and continued therein until his employment was finally terminated in May, 1938. They admit that Goff, while working in the plant of the appellant, made certain inventions relating to tire valves, which he voluntarily assigned to Dill, but assert that the invention here involved was made late in 1936 upon Goff’s own time and at his own expense and subsequent to the time that he was employed in the Dill plant.”

This is the only issue of the case, and this is a question of contract concerning which the District Court had no jurisdiction whatsoever.

Point 4:

Petitioner places its main reliance on *Littlefield v. Perry, supra*. In the opening of its discussion, it says that the complainant in that case had “no identifiable recorded interest in the patent in suit” and that the patent about which the controversy revolved “was not identified in any written or recorded instrument.” This statement might lead to a misapprehension of the facts in that case, and of the issues made by the pleadings.

There was in that case, as shown at pages 208 and 219-220 of the report, a recorded assignment or grant to Treadwell and Perry of an earlier invention and improvements thereon for the States of New York and Connecticut.*

* “The title of the complainant in this case grows out of what is termed in the answers ‘a grant and supplementary agreement,’ executed in ‘two parts,’ between Littlefield, the patentee, and Treadwell & Perry. The ‘grant’ is one of the parts, and the ‘sup-

This assignment was later transferred to the complainant, Perry. The assignment in part provided that Littlefield, the patentee, should convey to his assignee any patents for improvements upon the original invention, and that he should sue infringers. Later Littlefield secured a patent for such an improvement, but refused to assign. Thereafter Perry filed a bill of complaint for infringement in the United States Circuit Court, alleging that the original patent owned by him, as assignee, was being infringed by Littlefield. The latter in his answer stated that contemporaneously with the execution of the written instrument of assignment, there was executed a "supplementary agreement" (unrecorded), certain provisions of which reduced the title of Treadwell and Perry under the grant, from that of assignees to licensees. It was also asserted that Perry was not the assignee of Treadwell and Perry. The validity of the two instruments being admitted in the answer, this Court, in determining whether Perry had title and the right to maintain an action for infringement, was

plementary agreement' the other. *The grant, taken by itself, contains, in most unmistakable language, an absolute conveyance by the patentee of his patent and inventions described, and all improvements thereon, within and throughout the States of New York and Connecticut, and an agreement by the assignees to pay a royalty on all patented articles sold, with a clause of forfeiture in case of non-payment or neglect, after due notice, to make and sell the patented articles to the extent of a reasonable demand therefor. This grant was duly recorded in the Patent Office six days after its execution.*

* * * * *

Undoubtedly, for the purpose of ascertaining the intention of the parties in making their contract, the two instruments, executed as they were at the same time, and each referring to the other, are to be construed together. If, when so construed, they shall be found to convey to the assignees the title to the patent and inventions and grant a license back from the assignees to the patentee of the right to use the patent and its principle in the manufacture of the designated furnaces, the Circuit Court had jurisdiction of the cause.

When the 'grant' was placed on record, Treadwell & Perry became the apparent owners of the entire patent and inventions throughout the specified territory." (pp. 219-220; emphasis ours.)

required only to construe the two instruments and determine their legal effect. Construing the recorded assignment or grant, this Court stated that:

“The assignment in this case, by its express terms, covers all improvements in the original patent or the invention described in the application of 1852. *It carried with it the legal title to the existing patent.*” (Emphasis ours.) (page 226.)

Construing the two instruments together, this Court concluded that the supplementary agreement did not reduce the title of Perry to that of licensee, and accordingly found that he was the owner of the legal title of the patent for the original invention. Passing then to a consideration of the matter of whether the original patent was being infringed by Littlefield, this Court, after construing the two patents, found that the original, owned by Perry, was being infringed by the one later granted to Littlefield. Finding also that the later patent was an improvement upon the original, the Court, sitting in equity, then proceeded to order Littlefield to assign the later patent to Perry, as he had contracted to do.

It affirmatively appears from the opinion that the complaint alleged a present title in Perry to the original patent, and that the only claims of defect in title were those asserted in the answer. It also appears affirmatively that aid of the Court was not sought or required by Perry to place the legal title in him as a condition precedent to his right to maintain the action for infringement. He alleged, and on the trial proved, a present legal title to the original patent which was being infringed by Littlefield. The order of the Court decreeing specific performance of Littlefield's contract to assign the patent for the improvement, was not necessary to the successful prosecution of the infringement action by Perry. These facts clearly distinguish *Littlefield v. Perry* from the case at bar. The circumstances of *Littlefield v. Perry* are peculiar to that case and must be so regarded. The decision in that case can-

not be treated as upsetting the general rule expressed by this Court both before and after that case, i.e., that suits to enforce the assignments of patents, with all of the incidental attributes of such an action, are contract cases cognizable in the State courts. The intention of this Court to prevent any misconstruction of its decision is shown by the following language:

“There is here no attempt to obtain the specific performance of a contract * * *.” (page 227)

In construing the language of *Littlefield v. Perry*, it should be borne in mind that the case dealt with the grant of an interest in an existing patent and the effect of a contract concerning the terms of which there was no dispute. It did not deal, as does the instant case, with equitable rights arising from a disputed executory contract to assign inventions not yet in existence. We contend that *Littlefield v. Perry* does not sustain the proposition that petitioner is an equitable assignee or that the instant case arises under the patent laws.

Nor does the case of *Independent Wireless Telegraph Co. v. Radio Corporation, supra*, have any bearing upon the question here. That was a case in which it was determined that an exclusive licensee might join his licensor and owner of the legal title in a suit against an infringer of the licensed patent. There was no question about the agreement under which the licensee maintained its exclusive rights under the patent. The exclusive rights, however, were virtually nullified because the owner of the legal title would not sue or join in a suit with the exclusive licensee. This Court would not permit such an impassé to deprive the licensee of the rights which had been granted and decreed that the licensee could in his suit join the grantor of the rights under the patent, either as an unwilling party plaintiff or a defendant.

That case has no bearing upon the question of jurisdiction here presented and cannot be so construed.

Point 5:

The principle of law, denying the jurisdiction of the Federal Courts in cases of this character, was long ago enunciated by this Court in *Wilson v. Sanford, supra*. Wilson, the owner of an extended patent, had granted a license to the defendants and accepted certain promissory notes as a part of the consideration for the license. The license contained a provision that if any of the notes were not paid upon maturity, the rights granted "are to revert to said Wilson who shall be reinvested in the same manner as if this license had not been made." Wilson filed a Bill alleging that, by reason of default in the payment of the first two notes, the license had been forfeited and that he was fully re-invested at law and in equity with all of his original rights, and that the defendants were infringing the patent. The prayer was for a temporary injunction; for an accounting of profits since the forfeiture of the license; for a perpetual injunction; for a re-investiture of title in Complainant; and for other and further relief. A Demurrer to the jurisdiction of the Court over the subject matter was sustained, Chief Justice Taney saying:

"Now the dispute in this case does not arise under any Act of Congress, nor does the decision depend upon the construction of any law in relation to patents. It arises out of the contract stated in the Bill, and there is no Act of Congress providing for or regulating contracts of this kind. The right of the parties depends altogether upon common law and equity principles."

In *New Marshall Engine Co. v. Marshall Engine Co., supra*, this Court again had before it the jurisdictional question of whether the suit was one arising under the patent laws, or was one for the specific performance of a contract. Marshall, the patentee of patent No. 725,349, had previously assigned an earlier patent, No. 342,802, to Marshall Engine Company, together with "all further improvements thereon and renew-

als thereof." Subsequently, he obtained patent No. 725,349, which was an improvement upon the earlier patent, but, instead of assigning it to Marshall Engine Company, organized a new company, under the name of New Marshall Engine Company, and assigned the patent to it. Marshall Engine Company went into a receivership and the receiver filed suit in the Superior Court of Franklin County, Massachusetts, setting forth the above facts and praying that the defendants, Marshall and the New Marshall Engine Company, should be required to assign to the receiver the patent No. 725,349, and, also enjoined from manufacturing or selling machines covered by said patent. The defendants moved to dismiss the Bill, on the ground that it presented questions of which the Federal Court had exclusive jurisdiction. That motion was overruled, a final decree entered in favor of plaintiff and the case brought to this Court by writ of error. The question was whether the complaint stated a case arising under the patent laws. If so the case was one of which the Federal Courts had exclusive jurisdiction. If the case was not one arising under the patent laws, however, it was properly brought in the State Court. This Court affirmed the decree of the State Court, holding that the complaint did not set forth a case arising under the patent laws, but did set forth a case of which the State Court had jurisdiction. The Court said (page 478):

"The Federal courts have exclusive jurisdiction of all cases arising under the patent laws, but not of all questions in which a patent may be the subject-matter of the controversy. For courts of a state may try questions of title, and may construe and enforce contracts relating to patents. *Wade v. Lawder*, 165 U. S. 627, 41 L. ed. 852, 17 Sup. Ct. Rep. 425. The present litigation belongs to this class. *The controlling fact for determination here is whether patent 725,349 belongs to the Marshall Engine Company, of New Jersey, or to the New Marshall Engine Company, of Massachusetts.*" (Emphasis ours.)

and again, at page 479:

"Marshall had, however, in violation of his contract previously assigned patent 725,349 to the New Marshall Engine Company, which took with notice of the prior transfer. This company, therefore, held the legal title as trustee for the complainant. Under the circumstances the state court had jurisdiction to pass on the question of ownership, and to enter a decree requiring Marshall, as patentee, and the New Marshall Engine Company, as trustee, to make an assignment in due form to the complainant. This jurisdiction was based on general principles of equity jurisprudence, and did not present a case arising under the patent law. It is, however, urged that the state court was ousted of the jurisdiction to enter a decree for specific performance, because the bill went farther and prayed that the defendants, and each of them, should be enjoined from manufacturing or selling the machines covered by patent 725,349. It is claimed that this was, in effect, an application and decree for injunction against infringement, and could only be granted by a Federal Court.

But the allegations of the complainant's bill do not involve any construction of the meaning or effect of patent 724,349, nor does it charge that the manufacture or sales of engines by the defendants would be an infringement of the patent, or of any right of the complainant, *if in fact, patent 725,349 belonged to the New Marshall Engine Company.* The injunction was asked for only as an incident of a finding that the title was vested in the complainant. 'The bill must be regarded and treated as a proceeding to enforce the specific execution of the contract referred to, and not as one to protect the complainants in the exclusive enjoyment of the patent right. * * * It is to prevent the fraudulent violation of these contracts that the complainants seek the aid of the court and ask for an injunction.' *Brown v. Shannon*, 20 How. 56, 57. As said in *Wilson v. Sanford*, 10 How. 99, 102, 'the injunction is to be the consequence of the decree sanctioning the forfeiture. He alleges no ground for an injunction unless the contract is set aside.' *Here the injunction asked*

for is to be the consequence of the decree sustaining the complainant's title. It alleges no ground for injunction unless that title is established.

The state court had jurisdiction of the subject-matter of the controversy. The relief granted was appropriate to the cause of action stated in the bill. The decree must therefore be *Affirmed.*" (Emphasis ours.)

The complaint in the *New Marshall* case is similar to the complaint in the case at bar. The prayer asked for specific performance and for an injunction against infringement, but did not ask for damages for infringement, as in the case at bar. However the cases herein cited make it quite clear that the addition of a prayer for damages is not sufficient to confer jurisdiction.

In *Luckett v. Delpark, Inc., supra*, this Court reviewed a decree, dismissing a bill of complaint on the ground that the Federal Court was without jurisdiction to entertain the bill. The plaintiff was a citizen of Connecticut. One of the defendants was a corporation of New York, and the other a corporation of Maryland. The suit was brought in the United States District Court for the District of New Jersey. Since the suit was not brought in the district of the residence of either the plaintiff or the defendants, it could not be sustained on the ground of diversity of citizenship and, therefore, the District Court had no jurisdiction of the case, unless it was one arising under the patent laws. The plaintiff, Luckett, was the patentee of two patents covering a method of making undergarments. He had granted one of the defendants an exclusive license to manufacture and sell garments under his patents, and had assigned to the other defendant one of the patents, on condition that such defendant should pay him certain royalties and that the title should revert to the plaintiff, if the defendant failed to comply with the conditions of the contract.

Plaintiff alleged non-compliance with the contracts and prayed for an accounting as to royalties due him, for a

formal reassignment of one of the patents, to remove the cloud upon plaintiff's title thereto and for an injunction against further infringement by the defendants. This Court held that this was not a suit arising under the patent laws. Chief Justice Taft, after reviewing the decisions of this Court on this point, summed up the law, as follows (pages 510-511):

"The result of these cases is, that a federal district court is held to have jurisdiction of a suit by a patentee for an injunction against infringement and for profits and damages, even though, in anticipation of a defense of a license or authority to use the patent, the complainant includes in his bill averments intended to defeat such a defense. If these averments do not defeat such defense, the patentee will lose his case on the merits, but the court's jurisdiction under the patent laws is not ousted. The error in *Hartell v. Tilghman*, *supra*, was in denying jurisdiction under the patent laws when the patentee based his action broadly on his patent and averment of infringement seeking injunction and damages. His averments intended to constitute a reply to the anticipated defense that the defendant was a licensee did not change the nature of his declared choice of a suit under the patent laws. This, under the principle now established by the later cases, and especially *The Fair v. Kohler Die & Specialty Company*, and *Healy v. Sea Gull Specialty Company*, is clear. But the present qualification of the *Hartell* case does not affect the principle laid down in *Wilson v. Sandford*, that where a patentee complainant makes his suit one for recovery of royalties under a contract of license or assignment, or for damages for a breach of its covenants, or for a specific performance thereof, or asks the aid of the Court in declaring a forfeiture of the license or in restoring an unclouded title to the patent, he does not give the federal district court jurisdiction of the cause as one arising under the patent laws. Nor may he confer it in such a case by adding to his bill an averment that after the forfeiture shall be declared, or the title to the patent be restored, he fears the defendant will infringe and therefore asks

an injunction to prevent it. That was *Wilson v. Sanford*. If in that case the patentee complainant had based his action on his patent right and had sued for infringement, and by anticipation of a defense of the assignment had alleged a forfeiture by his own declaration without seeking aid of the court, jurisdiction under the patent laws would have attached, and he would have had to meet the claim by the defendant that forfeiture of the license or assignment and restoration of title could not be had except by a decree of a court, which if sustained, would have defeated his *prayer for an injunction on the merits*. But when the *patentee exercises his choice and bases his action on the contract and seeks remedies thereunder, he may not give the case a double aspect, so to speak, and make it a patent case conditioned on his securing equitable relief as to the contract. That is the principle settled by Wilson v. Sanford, and is still the law.*" (Emphasis ours.)

In *Becher v. Contoure Laboratories, Inc. and Oppenheimer, supra*, this Court held that a State court has jurisdiction to render a judgment that the record holder of Letters Patent is a trustee *ex maleficio* for the real owner, and has jurisdiction to order an assignment of the Letters Patent and to enjoin the record holder from infringing the Letters Patent. In that case, the record holder of the patent asked the Federal Court to enjoin an action being prosecuted by the defendants in the State Court of New York. The State Court had rendered a judgment that the record holder of the patent was trustee *ex maleficio* of the patent for Oppenheimer. The judgment also ordered that the record patent holder, Becher, deliver to Oppenheimer an assignment of the Letters Patent, and that Becher be enjoined from infringing the patent or transferring any rights under the patent. The facts alleged and found were to the effect that "Oppenheimer having made the invention in question employed Becher as a machinist to construct the invented machine and improvements made by Oppenheimer from time to time, and that Becher agreed

to keep secret and confidential the information thus obtained and not to use it for the benefit of himself or of any other than Oppenheimer. It was found further that while engaged in making instruments for Oppenheimer and after having learned from him all the facts, Becher, without the knowledge of the plaintiffs, and in violation of his agreement and of the confidential relation existing, applied for and obtained a patent of which Oppenheimer knew nothing until after it had been issued, and while Becher was still making for him the Oppenheimer machine." This Court affirmed the Court of Appeals of the Second Circuit (29 Fed. 2nd 31), dismissing a bill to enjoin the further prosecution of the State action, and Justice Holmes in his Opinion wrote (pages 390-391):

"It is not denied that the jurisdiction of the courts of the United States is exclusive in the case of suits arising under the patent laws, but it was held below that the suit in the state court did not arise under those laws. It is plain that that suit had for its cause of action the breach of a contract or wrongful disregard of confidential relations, *both matters independent of the patent law*, and that the subject-matter of Oppenheimer's claim was an undisclosed invention which did not need a patent to protect it from disclosure by breach of trust." (Emphasis ours.)

In *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, *supra*, the complainant, an exclusive licensee, brought the usual bill for infringement against the patentee and the grantee of a subsequent conflicting license. The answer alleged that the plaintiff had forfeited its rights, and that its license *had been revoked*. Under these circumstances, this Court held that the allegations of the answer did not cause the Federal Court to lose jurisdiction. In the *Excelsior* case, neither party asked the Court to *cancel* or *enforce* a contract. Speaking upon this subject, this Court said (page 285):

“The rule is well settled that, if the suit be brought to enforce and set aside a contract, though such contract be connected with a patent, it is not a suit under the patent laws, and jurisdiction of the Circuit Court can only be maintained upon the ground of diversity of citizenship.”

The principle which underlies all of the cases of this Court, including *Littlefield v. Perry*, dealing with the jurisdiction of the Federal Courts of suits based upon contracts relating to patents is the same and when that principle is correctly stated, *all* the cases are found to be in accord.

This principle may be stated as follows: If the Complaint discloses that the plaintiff is the owner of the legal title to the patent, either as patentee, assignee, or grantee, and contains proper allegations of infringement, a cause of action arising under the patent laws is stated and the Federal Courts have jurisdiction. If, however, the Complaint discloses a defect in or cloud upon the title of the plaintiff, for the correction or removal of which action by the Court is sought or required as a condition precedent to the determination of the patent questions involved, no cause of action arising under the patent laws is stated, and in the absence of diversity of citizenship the Federal Courts have no jurisdiction of the subject matter of the action.

The instant case comes within the second class of cases.

Point 6:

The cases from the Eighth, Third and Second Circuits do not support petitioner's contentions as will be seen by a brief review of those cases.

Petitioner, beginning at the bottom of page 17 of its brief, quoted from *Wooster et al. v. Crane & Co., supra*. The quoted passage, however, does not support the proposition advanced by petitioner as will be seen by reference to the italicized portions of that passage quoted below.

"A suit, the *primary* and *controlling* purpose of which is to consider a right secured by the copyright laws which is being infringed by the defendant, is a suit under those laws and within the jurisdiction of the Federal Circuit Court, although it incidentally draws in question the *validity, interpretation, and effect of a contract* through which the complainant derives title. * * * (Emphasis ours) This is such a suit. The bill, like ordinary bills for infringement, sets forth the facts showing the validity of the copyright, the title of the complainant and the infringement by the defendant and then prays for an injunction against a continuance of the infringement. *The contract is set forth for the purpose of showing the complainant's title and not as a basis or foundation of the suit.*"

The difficulty, however, with petitioner's position is that in the case at bar the contract is set forth, not "for the purpose of showing the complainant's title," but "as a basis or foundation of the suit." We are not here concerned with the *validity, interpretation and effect of a contract incidentally involved*. The relief which petitioner seeks is totally dependent upon an oral contract, the very *existence* of which is denied. No case cited by the petitioner has gone so far as to hold that such a cause of action arises under the patent laws, with the possible exception of *Vanadium Alloys Steel Co. v. McKenna, supra*.

Bisel v. Ladner, supra, cited by petitioner, was a case in which the copyright for a book had been taken out by the publisher in trust for the author. The Court held that the author might maintain a suit against the publisher as an infringer. That case did not involve an executory contract or a situation in any manner similar to the case at bar.

Ted Browne Music Co. v. Fowler, supra, does not support petitioner. In that case one Fowler conveyed by mesne written assignments the rights to a certain song to the complainant. Later he copyrighted the song in his own name and sold the copyright to one Bradford. Suit for infringement was brought by the first assignee and it was

held that it could be sustained and that the District Court had jurisdiction, although the legal title to the copyright was in the defendant. In the cited case the complaint raised no question as to the complainant's title and, consequently, the complainant did not have to establish its right to the ownership of the copyright as an essential prerequisite of its right to sue.

Cohan v. Richmond, supra, was a suit involving the right of the prevailing party in a suit under the copyright laws to recover a reasonable attorney's fee as part of the costs (17 U. S. C. A. Sec. 40). There was apparently no dispute that one Mills had taken out the copyright in the behalf of the complainant Cohan, and the Court held that an allegation to that effect was sufficient to bring the suit under the copyright laws. No parallel to that situation is found in the present case. The petitioner did not allege that the patent in suit was taken out in its behalf, but quite the contrary (R. p. 3, Par. 8). It alleged that the patent was applied for in defiance of its rights. Therefore, the question of ownership of the patent, whether in the nature of an equitable or legal title, had to be decided in petitioner's favor before it acquired any right to sue.

It is interesting to note that the Bill of Complaint in *Cohan v. Richmond, supra*, was dismissed in the District Court "for insufficiency on its face," from which no appeal was taken (p. 681). Judge Hand referred to the fact that "the suit had been found to be baseless on its face" (p. 682), and the suit, at the time it reached the Court of Appeals of the Second Circuit, concerned only the propriety of the allowance for attorney's fees.

Even if the statements quoted by the petitioner from page 682 of the opinion have any bearing upon the situation presented here, they are *obiter* and cannot be considered as authority contrary to the rulings of this Court and the universal holdings of the various Circuit Courts of Appeals to which we have referred.

Point 7:

The Courts of Appeals of the various Circuits are in accord with the holding of the Sixth Circuit in the instant case.

In *Lyon Mfg. Corp. v. Chicago Flexible Shaft Co.*, *supra*, the Circuit Court of Appeals for the 7th Circuit held that a cause of action arising under the patent laws is *not* stated by a Complaint containing almost precisely the same allegations as are relied upon here to confer jurisdiction on the Federal courts. We quote from the Opinion (pages 931 and 932):

"The bill of complaint alleged a cause of action in the nature of one for specific performance. It was alleged that the defendant Bruecker, on the 29th day of August, 1936, filed in the Patent Office of the United States his application for Letters Patent on an electric shaver invented by him; that he duly complied with the law in reference thereto and that, on the 25th day of May, 1937, United States Patent No. 2,081,694, covering said invention, was issued to him. It was alleged that the defendant Bruecker perfected said invention while employed by the plaintiff for such purpose, and that, as a result thereof, the patent was issued and held by Bruecker as trustee for the plaintiff and that the plaintiff became and was the equitable owner thereof. It was further alleged that, the defendant Bruecker, after leaving the employment of the plaintiff, entered the employment of the defendant Chicago Flexible Shaft Company, and that the latter, with knowledge of plaintiff's equitable right and title to said invention, violated plaintiff's rights by the manufacture and sale of electric shavers embodying the said invention. *The bill prayed for an injunction enjoining the defendants from the manufacture and sale of said electric shavers; that the defendant Bruecker be required to assign to plaintiff legal title to the patent and all rights pertinent thereto, and that defendants be required to account for profits and damages sustained by the plaintiff by reason of the alleged infringement.* The defendants, in their answer and

counterclaim, admitted the issuance of the patent to the defendant Bruecker; claimed that the defendant Chicago Flexible Shaft Company, since the date of the issuance of the patent, was and is the exclusive licensee thereunder; denied that the plaintiff acquired any title, legal, equitable or otherwise in said patent and denied infringement." (Emphasis ours.)

* * * * *

"We are confronted with the question of the court's jurisdiction to entertain the bill of complaint, raised here for the first time. Each of the corporate parties is an Illinois corporation, and the defendant Bruecker is a citizen of Illinois. Federal jurisdiction is claimed in the bill on the ground that—'this action is brought for infringement of certain Letters Patent of the United States of America, jurisdiction being based upon the Patent Laws of the United States and on the right of injunctive relief thereunder.'

It is apparent that if jurisdiction be found, it must be by reason of paragraph 7, section 41, Title 28 U. S. C. A., which confers jurisdiction upon the Federal Courts 'of all suits at law or in equity arising under the patent * * * laws.'

Plaintiff argues that the primary relief sought by its bill is an injunction and an accounting for infringement of the patent, the legal title to which is held by Bruecker as trustee for the plaintiff. It states: " * * * The corporate defendant through the cooperation of the defendant Bruecker, is infringing the patent in suit. This suit is primarily one for patent infringement and for injunctive relief, and the recovery of profits and damages. Incidentally, it is for an assignment of the patent in suit which is held in trust for plaintiff by the infringing defendants.'

On the other hand, it is argued by the defendants that the primary purpose of the bill is to compel an assignment to plaintiff of the legal title to said patent and that the injunctive and accounting relief sought is in consequence of a decree ordering a transfer of title. Their position is thus stated: " * * * No ground for an injunction or an accounting exists or is set forth in the bill, unless and until the alleged implied contract

to assign is enforced. Whether an assignment of the patent to plaintiff should be ordered in a court of chancery or not depends entirely upon the rules and principles of equity, and in no degree whatever upon any Act of Congress concerning patent rights.' *That the primary and controlling purpose of the bill was to compel an assignment of the legal title of the patent, by the defendants to the plaintiff, seems so certain as not to admit of serious dispute.* The other relief sought was dependent thereon. The injunctive process of the court could not be invoked nor the claim of infringement maintained until and unless the plaintiff was entitled to and acquired legal title. True, plaintiff asserted its right to such title, but such assertion was appropriately denied. It follows that the issue thus made must be determined in favor of the plaintiff prior to the granting of the other relief sought. This being the situation, we think it is plain, under the authority of *Lockett v. Delpark*, 270 U. S. 496, 46 S. Ct. 397, 402, 70 L. Ed. 703, that the bill of complaint failed to state a cause of action 'arising under the patent laws' and that the District Court was without jurisdiction." (Emphasis ours.)

In order not to lengthen the brief at this point, we call attention to the following cases, all of which have supported the ruling in the instant case:

Williams v. Star Sand Co., 35 F. 369 (C. C. W. D. Penn.);

Montgomery Palace Stock-Car Co. v. Street Stable-Car Line, 43 F. 329 (C. C. N. D. Illinois);

St. Louis Street F. M. Co. v. Sanitary, 161 F. 725-727 (C. C. A. 8);

Wyman v. Monolith Portland Cement Co., 44 F. (2d) 328 (C. C. A. 9);

Smith Separator Corp. v. Dillon, 98 F. (2d) 521-523 (C. C. A. 10);

Leaver v. Parker, 121 F. (2d) 738-739 (C. C. A. 9).

Point 8:

In the light of the overwhelming authorities contra, the decision of the District Judge in *Vanadium-Alloys Steel Co. v. McKenna, supra*, can only be regarded as a lapse from the established rule, and no further discussion of this citation is deemed necessary.

Point 9:

Finally, it is authoritatively settled that Federal jurisdiction cannot be sustained on an allegation that the complainant *ought* to have the title. The right to sue can only be based upon a *prima facie* showing of title. This rule is not only statutory, but has been forcibly expressed by this Court. Actions arising under the patent laws for infringement of Letters Patent must be based upon Section 67 or Section 70 of U. S. Code, Title 35. The pertinent portion of Section 67 reads:

“Damages for the infringement of any patent may be recovered by action on the case, in the name of the party interested, either as *patentee, assignee, or grantee*. * * *” (Emphasis ours.)

The pertinent portion of Section 70 reads:

“The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions according to the course and principles of courts of equity to prevent the violation of *any right secured by patent* on such terms as the court may deem reasonable; * * *.” (Emphasis ours.)

The complaint did not allege that petitioner had any “right secured by patent,” but merely that it is entitled in equity to obtain such a right, and prayed the Court to decree same. No claim is made that the petitioner is the patentee of Patent No. 2,119,623, but on the contrary the complaint alleges that the patent was granted to the respondent Goff. The complaint did not allege any assignment to petitioner, but alleged that the respondent Goff not only refused to assign and deliver the patent to petitioner, but that same

has been assigned and delivered to the respondent, The Ohio Injector Company. The petitioner made no claim of ownership of the patent by a grant from anyone. Its entire claim for relief was grounded upon an executory contract made with the respondent Goff for the assignment of future inventions, the very existence of which contract the respondents denied.

In *Waterman v. Mackenzie*, 138 U. S. 252, speaking of the rights of the owner of a recorded mortgage on a patent, the Court at page 255 states:

"The patentee or his assigns may, by instrument in writing, assign, grant and convey, either (1st) the whole patent, comprising the exclusive right to make, use and vend the invention throughout the United States; or (2d) an undivided part or share of that exclusive right; or (3d) the exclusive right under the patent within and throughout a specified part of the United States. Rev. Stat. Par. 4898. A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself, with a right to sue infringers; in the second case, jointly with the assignor; in the first and third cases, in the name of the assignee alone. *Any assignment or transfer, short of one of these, is a mere license, giving the licensee no title in the patent, and no right to sue at law in his own name for an infringement.*" (Emphasis ours.)

To the same effect, see *Pope Mfg. Co. v. Gormully Mfg. Co.*, 144 U. S. 248, 251.

(D) CONCLUSION.

There is nothing unusual in this case which removes it from the well established rule announced by this Court in *Wilson v. Sanford, et al.*, *supra*, which has been restated and confirmed in the later cases of *New Marshall Engine Co. v. Marshall Engine Co.*, *supra*; *Luckett v. Del-park*, *supra*; *Becher v. Contoure Laboratories*, *supra*; and others cited by the Court of Appeals of the Sixth Circuit at page 53 of the Record.

Petitioner alleges the existence of an oral contract with Goff by the terms of which he was required to assign the invention of the patent. Respondents deny the existence of that contract. That, and that alone, is the sole controversy between the parties. Unless that contract is first found to have existed and to be enforceable, there is no right in petitioner to sue the respondents or any other party for infringement of the patent. Any infringement by the respondents must be predicated solely upon a determination that the ownership of the patent is in the petitioner.

The rule of law which applies to the present case is simple and easily grasped, but petitioner's counsel have become so involved in attempts to convert a simple case of specific performance into one of patent infringement, that sight is lost of the one cardinal principle which disposes of the question. This is:

Petitioner has no title to the patent and until the alleged contract to assign is determined in its favor, it has no right to sue for infringement. No trick of pleading can alter this controlling factor. The determination of the rights of citizens of the same State based upon a contract, whether it be to assign a patent or anything else, is in the State courts. *This is* the gravamen of the Bill of Complaint, the other relief is incidental to it and does not create an issue for Federal jurisdiction.

We respectfully submit that the Court of Appeals in its very careful and studied opinion correctly disposed of the question of jurisdiction, and the petition for certiorari should be denied.

Respectfully submitted,

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